

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

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P 012333Z SEP 76

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 4970

LIMITED OFFICIAL USE SECTION 1 OF 2 SAN JOSE 4281

E.O. 11652: GDS

TAGS: EAGR, EPAP, CS

SUBJECT: CONSULTATIONS ON THE MEAT IMPORT PROGRAM

1. BEGIN SUMMARY. IN CONSULTATIONS SEPTEMBER 1, WE TOLD COSTA RICAN GOVERNMENT THAT USG WAS IN THE PROCESS OF ISSUING REGULATIONS TO PREVENT IMPORTS OF MEAT FROM COSTA RICA FROM EXCEEDING COSTA RICA'S RESTRAINT LEVEL DURING 1976. THE COSTA RICANS REQUESTED THAT WE GIVE THEM A FIRM DATE ON WHICH IMPORTS WOULD BE TERMINATED RATHER THAN TERMINATING IMPORTS ON THE BASIS OF QUANTITY ON A DATE THAT WOULD BE DIFFICULT TO PREDICT. WE EXPLAINED THAT WE COULD NOT ACCOMMODATE THEIR REQUEST BUT AGREED TO PROVIDE SPECIFIC DATA TO COSTA RICA TO AID IN DETERMINING THE EXACT AMOUNT WHICH COULD STILL BE SHIPPED UNDER THE AGREEMENT. ACTION RECOMMENDED: THAT THE DEPARTMENT PROVIDE THE EMBASSY OF COSTA RICA IN WASHINGTON AND EMBASSY SAN JOSE NO LATER THAN TUESDAY, SEPTEMBER 7, DATA ON ARRIVALS OF MEAT FROM COSTA RICA BY SHIP AND PORT OF ENTRY. END SUMMARY.

2. ON SEPTEMBER 1 PAUL TAYLOR, EB/OF/FPD, ACCOMPANIED BY THE DCM, ECONOMIC COUNSELOR AND AGATT MET WITH THE VICE MINISTER OF FOREIGN AFFAIRS WILBURG JIMENEZ AND REPRESENTATIVES OF MINISTRY OF AGRICULTURE, MINISTRY OF ECONOMY, LIMITED OFFICIAL USE

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CATTLEMEN, MEAT PACKERS AND EXPORTERS TO CONSULT ON THE

OPERATION OF 1976 MEAT IMPORT PROGRAM.

3. TAYLOR REVIEWED THE REQUIREMENTS OF MEAT IMPORT ACT, THE HISTORY OF VOLUNTARY RESTRAINT PROGRAMS AND SITUATION OF DOMESTIC CATTLE INDUSTRY IN U.S. HE EXPLAINED REASONS WHY U.S. HAS SOUGHT IN PAST TO OPERATE VOLUNTARY RESTRAINTS RATHER THAN ESTABLISH MANDATORY QUOTAS AND EXPLAINED THAT THERE SEEMED LITTLE LIKELIHOOD THAT A SHORT-FALL WOULD BE DECLARED AND REALLOCATED DURING 1976.

4. NOTING THAT AS OF AUGUST 14 IMPORTS FROM COSTA RICA HAD REACHED 87.5 PERCENT OF COSTA RICA'S RESTRAINT LEVEL, WE CALCULATED THAT COSTA RICA'S RESTRAINT LEVEL WOULD BE REACHED DURING THE FIRST WEEK OF OCTOBER IF SHIPMENTS CONTINUED AT AVERAGE WEEKLY RATE RECORDED DURING JULY AND FIRST TWO WEEKS OF AUGUST. THEREFORE WE HOPED THAT COSTA RICA WOULD TAKE STEPS TO REGULATE SHIPMENTS IN A MANNER TO PREVENT THE COSTA RICAN RESTRAINT LEVEL FROM BEING REACHED BEFORE THE END OF THIS YEAR. FOR OUR PART, THE USG WOULD ISSUE REGULATIONS, PERHAPS TOMORROW, TO PREVENT US IMPORTS OF COSTA RICAN MEAT FROM EXCEEDING 53.7 MILLION POUNDS DURING 1976. THESE REGULATIONS WOULD IN NO WAY ALTER THE RESTRAINT LEVEL SPECIFIED IN THE AGREEMENT WE HAD CONCLUDED WITH COSTA RICA.

5. THE COSTA RICANS, LED BY PRIVATE SECTOR REPS AND SUPPORTED BY THE REPS OF THE FOREIGN AND AGRICULTURE MINISTRIES, REVIEWED THEIR PERCEPTION OF THE HISTORY OF THE MEAT IMPORT PROGRAM AND LAID PARTICULAR STRESS ON WHAT THEY TERMED THE "INJUSTICE" OF PERMITTING CANADA TO SHIP INTO THE US MARKET WITHOUT RESTRICTION AND PERMITTING AUSTRALIAN EXPORTS TO (1) DISPLACE CANADIAN MEAT INTO THE US MARKET; AND (2) BE IMPORTED THROUGH THE FOREIGN TRADE ZONE AT MAYAGUEZ, PUERTO RICO WITHOUT RESTRICTION.

6. WE EXPLAINED THAT IN THE CASE OF CANADA, THE BORDER WAS OPEN FOR TWO-WAY TRADE IN MEAT AND THAT CANADA HAD NEVER AGREED TO PARTICIPATE IN A RESTRAINT PROGRAM. THE PROBLEM OF AUSTRALIAN MEAT DISPLACING CANADIAN MEAT HAD BEEN MET IN LARGE PART BY THE ESTABLISHMENT BY AUSTRALIA, AT CANADIAN AND US URGING, OF A MINIMUM EXPORT PRICE FOR SHIPMENTS INTO CANADA. LIMITED OFFICIAL USE

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7. ON THE QUESTION OF MAYAGUEZ, WE NOTED THAT WE HAD APPRECIATED COSTA RICA'S COOPERATION IN NOT EVADING THE PURPOSE OF ITS RESTRAINT AGREEMENT BY PROCESSING MEAT THROUGH FOREIGN TRADE ZONES AND THAT WE WERE IN THE PROCESS OF SEEKING A SOLUTION TO THE PROBLEM CREATED BY MAYAGUEZ IN LIEU OF THE REGULATIONS THE SECRETARY OF AGRICULTURE WAS CONSIDERING ISSUING UNDER SECTION 2E OF THE MEAT IMPORT ACT. BECAUSE

SUCH REGULATIONS COULD IN THEIR IMPLEMENTATION THREATEN THE IMPOSITION OF QUOTAS, WE HAD SOUGHT ANOTHER SOLUTION. AS A RESULT OF URGENT NEGOTIATIONS WE GOT PRELIMINARY INDICATION AUGUST 31 THAT AUSTRALIA WOULD BE WILLING TO AMEND ITS RESTRAINT AGREEMENT SO THAT SHIPMENTS ON OR AFTER SEPTEMBER 1 INTO FOREIGN TRADE ZONES WOULD BE COUNTED AGAINST ITS RESTRAINT LEVEL. THIS AMENDMENT WOULD ALSO HAVE TO NEGOTIATED WITH THE OTHER PARTICIPATING COUNTRIES IN THE MEAT IMPORT PROGRAM. THEREFORE WE WOULD EXPECT TO PROPOSE THROUGH EMBASSY SAN JOSE WITHIN A FEW DAYS A SPECIFIC AMENDMENT TO COVER FOREIGN TRADE ZONES. THE COSTA RICANS, RECOGNIZING THAT THIS WOULD NOT AFFECT THEIR EXPORTS MATERIALLY AND WOULD CLOSE A LOOPHOLE THE AUSTRALIANS HAD BEEN EXPLOITING, IMPLIED THAT SUCH AN AMENDMENT WOULD RECEIVE FAVORABLE CONSIDERATION IN SAN JOSE.

8. THEY WERE FAR MORE CONCERNED, HOWEVER, ABOUT OUR ACTION TO LIMIT IMPORTS OF COSTA RICAN MEAT INTO THE US AND PRESSED STRENUOUSLY FOR A COMMITMENT ON OUR PART TO IMPLEMENT THE LIMITATION ON A SPECIFIC DATE RATHER THAN AT A SPECIFIC LEVEL OF IMPORTS. THEY PLEADED THAT THEY WERE NOT ISSUING EXPORT PERMITS FOR SHIPMENT AFTER ABOUT SEPTEMBER 29. THEY COULD NOT KNOW HOW MUCH MEAT HAD ALREADY ENTERED THE US AND HOW MUCH WAS STILL IN THE PIPELINE. TAYLOR EXPLAINED THAT WE COULD NOT OPERATE OUR REGULATIONS ON THE BASIS OF A DATE BUT HAD TO PROCEED TO LIMIT IMPORTS IF THEY APPEARED LIKELY TO EXCEED THE AGREED RESTRAINT LEVEL. TAYLOR DID AGREE TO PROVIDE ON AN URGENT BASIS NO LATER THAN TUESDAY, SEPTEMBER 7, DATA TO THE COSTA RICANS ON IMPORTS BY SHIP AND PORT OF ENTRY OF COSTA RICAN MEAT TO ENABLE THE COSTA RICANS TO DETERMINE WHICH OF THEIR SHIPMENTS WERE ACTUALLY COUNTED IN THE OVERALL FIGURE OF 27 MUPLION POUNDS ENTERED FOR CONSUMPTION THROUGH AUGUST 13 AND TO MAKE AVAILABLE DATA DERIVED FROM DAILY MONITORING UNDER THE SECTION 204 ACTION. THE COSTA RICANS ASKED THAT LIMITED OFFICIAL USE

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THIS DATA BE PROVIDED THEIR EMBASSY IN WASHINGTON. WE RECOMMEND ALSO THAT A COPY BE CABLED SAN JOSE SO THAT WE CAN PROVIDE IT TO THE GOCR PROMPTLY AND PRECLUDE ANY FUTURE CLAIM THAT IT WAS NOT RECEIVED FROM WASHINGTON IN TIME TO TAKE APPROPRIATE ACTION TO CONTROL EXPORTS.

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC PRIORITY 4971

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9. AT SEVERAL POINTS IN THE CONVERSATION, WHICH WAS CONDUCTED IN SPANISH AND LASTED NEARLY 1-1/2 HOURS, THE COSTA RICANS PLEADED AT LENGTH FOR AN INCREASED ALLOCATION AND RECALLED WHAT THEY THOUGHT WAS A POLITICAL COMMITMENT (SEE SEPTTEL) THAT WE WOULD INCREASE THEIR RESTRAINT LEVEL DURING 1976 AND THEREBY PARTIALLY ALLEVIATE THE PROBLEM CAUSED BY AN UNPRECEDENTED DRAUGHT AND NECESSARY DISTRESS SLAUGHTERING. WE TOLD THEM THAT WE THOUGHT IT WOULD BE MISLEADING TO ENCOURAGE THEM TO EXPECT A SHORT-FALL REALLOCATION DURING THE REMAINDER OF THIS YEAR AND EVEN LESS LIKELY THAT A PRESIDENTIAL DETERMINATION COULD BE MADE TO ACHIEVE AN INCREASE IN THE OVERALL PROGRAM SUFFICIENT TO ACCOMMODATE COSTA RICA'S INTEREST IN SHIPPING AN ADDITIONAL 10 MILLION POUNDS OF WHAT THEY ESTIMATE IS A 20-25 MILLION POUND SURPLUS AVAILABLE FOR EXPORT.

10. EMBASSY COMMENT: WHILE THE CONSULTATIONS WENT AS WELL AS COULD BE EXPECTED UNDER THE CIRCUMSTANCES, IT IS HIGHLY DOUBTFUL THAT WE SUCCEEDED IN DISSUADING THE COSTA RICAN PARTICIPANTS IN THEIR BELIEF THAT THE USG WILL FIND SOME WAY TO GRANT AN INCREASE IN THEIR VRS LEVEL.

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